

# Zara: Facing Fast Fashion Challenges in China

## An International Marketing Case Study



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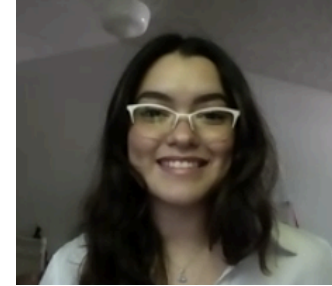
Candace  
Salters



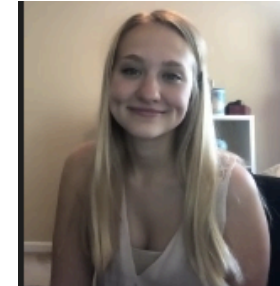
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24<sup>th</sup> Annual

SYMPOSIUM OF  
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Welcome!

Please stand by. This event will start at 4:00PM.

*Please note the following:*

- *Please mute your microphone.*
- *Once the presenter starts to talk, please “pin” the presenter so they are the main focus of your screen.*

Research Mentor: **Dr. Mona Sinha**





A photograph of a ZARA store front at night. The store has a large, arched glass facade with the ZARA logo prominently displayed in the center. The interior is visible through the glass, showing clothing racks and mannequins. The building's architecture features curved, ribbed concrete structures on either side of the entrance.

ZARA

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# The Company At home & in China



- ❖ First fashion store opened in Spain in 1974.
- ❖ Focus on fast fashion that is affordable
  - ❖ Replicate high fashion looks faster than competitors
  - ❖ As fast as looks are created, they are replaced
- ❖ As of 2019, there are over 2,250 Zara stores around the world
- ❖ Revenue(2018): \$28 billion (12% generated online).
  - ❖ Europe- 45%, Asia- 23%, Spain- 16%, USA- 15%
- ❖ The Company in China
  - ❖ As of 2019, there are 229 Zara stores operating in China.
  - ❖ 11,680 employees.

# Fast Fashion Industry



ZARA

146.46 billion-yuan in operating income.

14.171 billion -yuan in net margin.

Gross profit at 55.2%

3.7% of the market share for fast fashion.



UNIQLO

Operating income 170.505 billion Yuan.

23.417 billion for their net margin.

Gross profit rate at 57%

29.8% of the market share.



DAPHNE  
Belle 百麗國際  
International

The highest number of fashion stores in China.

Dropping 122 and 247 stores respectively



H&M

112.571 billion yuan in operating income.

Net margin of 3.025 billion.

Gross profit of 48.2%

22.3% of the market share



HLA  
海澜之家

6,673 stores



# Problem



2017 closure of megastore  
→ Rebranding  
and positioning



Fast fashion clothing items  
are quickly going out of  
style → Not customizable.



Zara= "throw-  
away" shopping.



High level of competition  
in quality and pricing.

# About China



- ◇ China's population is 1400.1 million
- ◇ GDP: \$13 trillion and 7.1% corresponded to the clothing industry
- ◇ GNI per capital is \$14,358
- ◇ Minimum wage in Shanghai is 2480 yuan monthly
- ◇ Middle Class income is from 7500 to 280000 yuan



# Customer



Highly collectivist society → Seek affiliation, acceptance and admiration.



Highly pragmatic, masculine, and restricted → Limited time for leisure.



"Face" is important.

# Customer

## Demographics

- ❖ Growing Middle class & college students.
- ❖ More disposable income
- ❖ More purchasing power.
- ❖ Women are higher contributor to sales.

## Psychographics

- ❖ Consumption is primarily online.
- ❖ Seek “value for money” product.

## China VALS Framework





# The Marketing Mix



# Product

- ❖ International style
- ❖ Over 12,000 different styles each year
- ❖ Products are consistently focused on customers
  - ❖ "pulling people in, not pushing product out."
- ❖ Simplistic fashion



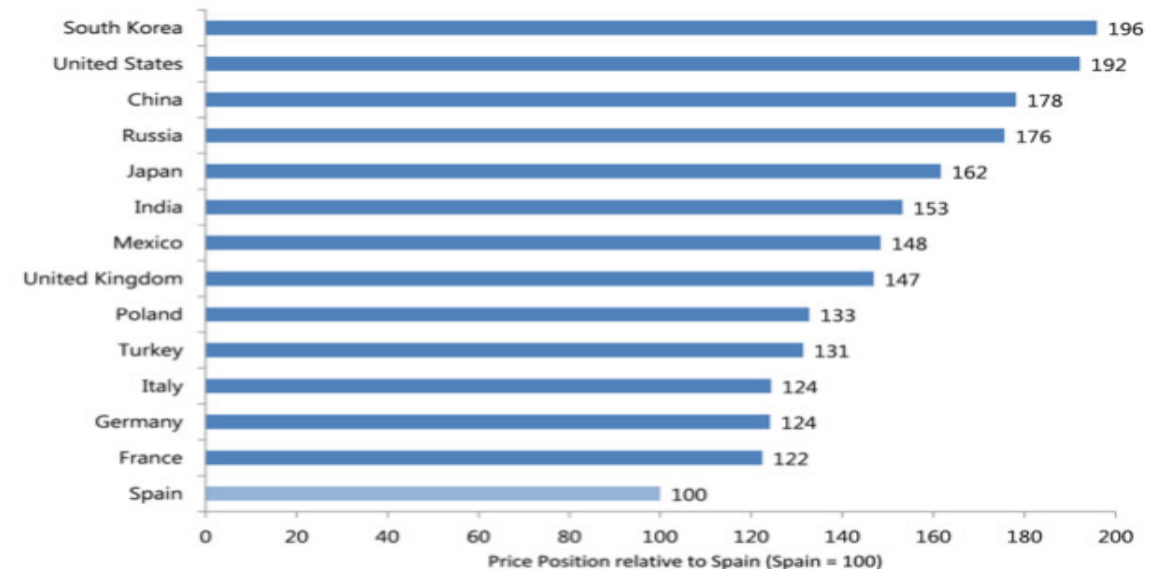


# Price

- ❖ **Concept:** Offer product with fashion design and a reasonable price
- ❖ Zara's prices are less expensive than other luxury fashion brands.
- ❖ Use of value-based pricing approaches
  - ❖ Strategy focused on customers' perceptions of value rather than company's costs to set price

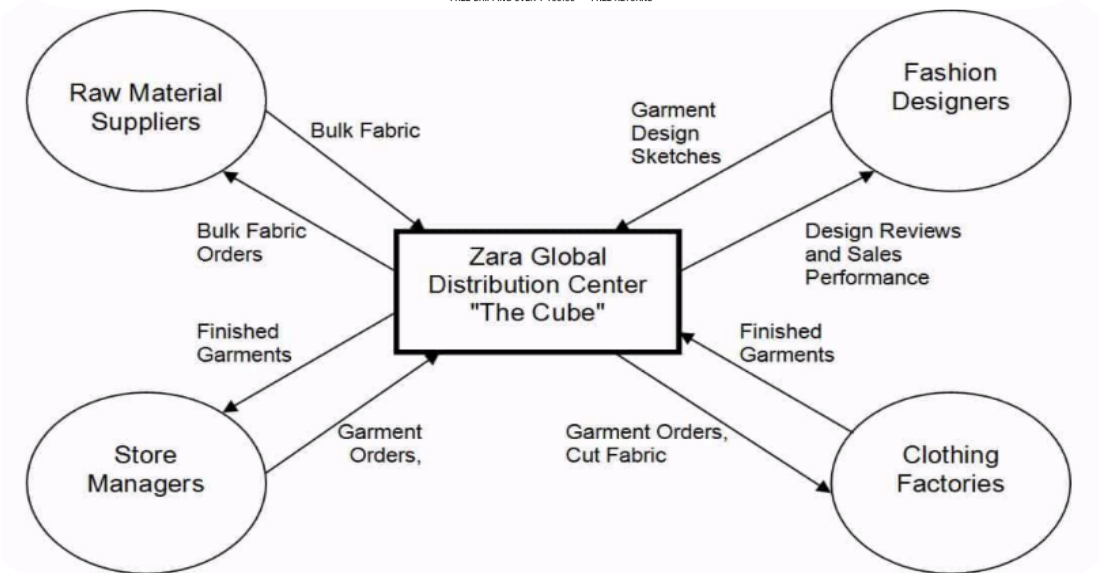


**Exhibit 1:** Zara's selling prices in South Korea and the US are almost double those in Spain



# Distribution

- ❖ Vertical Integration allows SCA
- ❖ Intricate Supply Chain produces expedited results
- ❖ E-commerce is important in the Chinese Market
- ❖ Slow Growth in China
- ❖ COVID-19 is effecting fast fashion





# Communication



- ❖ Using specific media platforms allows them to strategically reach their target audience
- ❖ To expand their market they have created an international platform
- ❖ They use a multichannel approach to be versatile

# Case Questions

